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INTRODUCTION

The Office of Internal Audit performed an audit of Tireman/Central District, Wayne County FIA for the period October 1, 2000 through April 30, 2002. The objectives of our audit were to determine if internal controls in place at the district office provide reasonable assurance that departmental assets are safeguarded, transactions are properly recorded on a timely basis, and policies and procedures of the Michigan Family Independence Agency (FIA) are being followed. The Tireman/Central District had 105 full time equated positions (FTE's) at the time of our review. The Tireman/Central District provided assistance to an average 12,078 recipients per month during FY 2001, with total assistance payments of \$18,706,798 during that year.

SCOPE

Our audit was performed in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. We obtained descriptions of significant systems operating at the Tireman/Central District, documented those systems, and evaluated controls in each system. We tested the systems for compliance, where feasible. Our audit included the following:

Cash Receipts

Safe and Controlled Documents

State Emergency Relief (SER)

Procurement Card

State Car Usage

Employment Support Services

Cash Disbursements

Payroll and Timekeeping

Client Processing

IRS Security

CIS/ASSIST

EXECUTIVE SUMMARY

Based on our audit, we conclude that the Tireman/Central District internal controls need improvement in order to provide management with reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorization.

DISTRICT RESPONSE

The management of the Tireman/Central District did not respond to the draft report.

FINDINGS AND RECOMMENDATIONS

Cash Receipts

No findings

Cash Disbursements

No findings

State Emergency Relief

No findings

Safe and Controlled Documents

No findings

CIS/ASSIST

MA-010 Reconciliation

1. The Tireman/Central District did not reconcile flagged transactions on the Transaction Control Listing (MA-010) to the input documents, as required by the Local Office Reports Description Manual. Reconciliation of the flagged accounts helps to ensure that transactions were properly authorized and correctly entered on the Client Information System (CIS).

WE RECOMMEND that the Tireman/Central District reconcile the flagged transactions on the MA-010 to the input documents.

Security Officers Log Report (PD-180)

2. The Tireman/Central District office did not reconcile the Security Officers Log Report (PD-180) to the Security Agreements (FIA-3974A's). L-Letter L-97-063 requires the reconciler to review this report to a signed Security Agreement to ensure that all changes are accurate and approved by the employee's supervisor.

WE RECOMMEND that the Tireman/Central District have an independent person reconcile the PD-180 report to the Security Agreements.

Payroll and Timekeeping

Payroll and Record Retention

3. The Tireman/Central District timekeeper maintained the certified copy of the Time and Attendance Summary Report (HR-332A). The Primary Internal Control Criteria for Local/District Office Operations recommends that someone other than the timekeeper retain the HR-332A, so that changes made after the certifier signs the HR-332A could be detected.

WE RECOMMEND that Tireman/Central District have the certifier or someone other than the timekeeper retain the HR-332A.

IRS Security

IRS Designated Staff Person

4. The Tireman/Central District did not have a Designated Staff Person (DSP) or a backup DSP for handling confidential information received from the Internal Revenue Service (IRS), as required by Program Administrative Manual (PAM) Item 800. A DSP and backup are necessary to ensure that information received from the IRS is kept confidential. Breach of confidentiality could result in the department being denied access to IRS information.

WE RECOMMEND that Tireman/Central District appoint a Designated Staff Person and backup to handle confidential information received from the IRS.

IRS Data Control Sheet

5. The Tireman/Central District did not use the Internal Revenue Service (IRS) Data Control Sheet (FIA-4488) to record Unearned Income Notices (FIA-4487A) received at the District, as required by PAM Item 800. Completion of the FIA-4488 is necessary to document that the District is maintaining the confidentiality of information received from the IRS.

WE RECOMMEND that Tireman/Central District record all FIA-4487's received on the FIA-4488.

Knowledge of IRS Security Procedures

6. The Tireman/Central District mailroom staff was unaware of the proper procedures to follow for confidential information received from the IRS. Program Administrative Manual (PAM) Item 803 states that local offices should ensure that their staff understands all aspects of the confidentiality laws. Such understanding of the laws is necessary to ensure that confidentiality is maintained for all information received from the IRS.

WE RECOMMEND that Tireman/Central District familiarize the mailroom staff with all aspects of the confidentiality laws for information received from the IRS.

Procurement Card

No findings

State Car Usage

No findings

Employment Support Services

No findings

Client Processing

No findings